

Public Agenda Item #2

Presentation, Discussion and Consideration of Internal Audit Reports

May 17, 2016

Tony Chavez, Director, Internal Audit Division

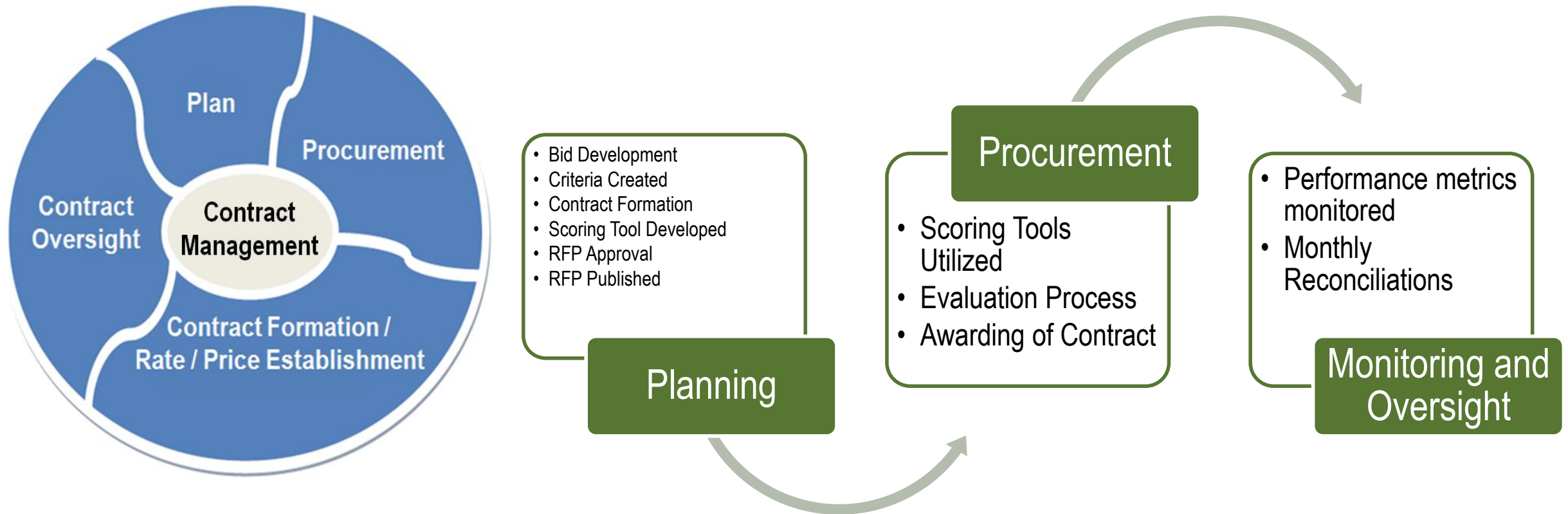
GBP Procurement Follow-Up

Tony Chavez, Director, Internal Audit Division
Karen Norman, Internal Audit

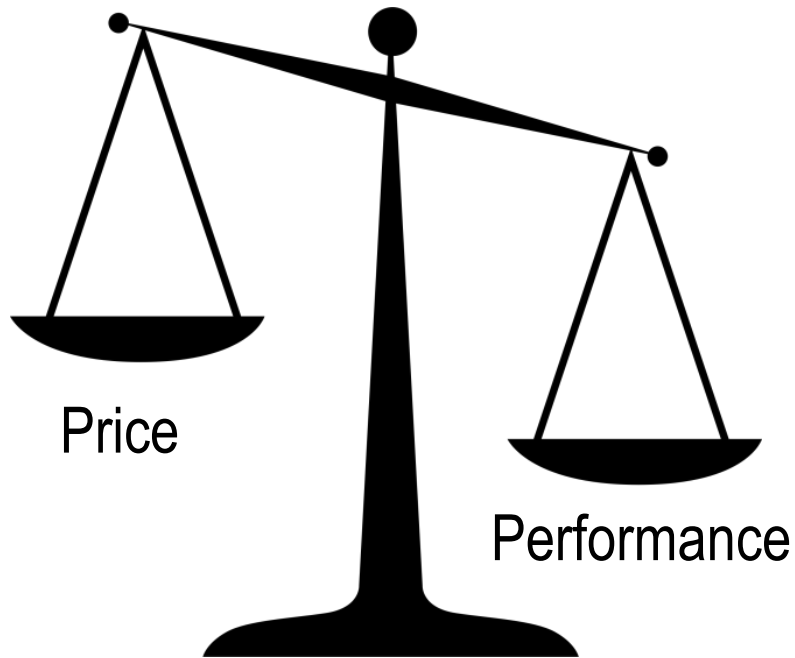
Contract Management Framework



Audit Objective: *To determine whether corrective actions have been implemented to address prior audit observations and recommendations related to the Group Benefits Program procurement process.*



Inherent Risk Factors



**Documentation should be
concise and clear**

Communicating How Best Value is Obtained

- Best value is subjective
- Winning bid may not be the lowest cost or rated highest

Operational

- Programs are complex
- Multiple evaluators across the agency
- Large number of data points

Regulatory

- SB20
- Contract Management Guide
- Highly visible contracts

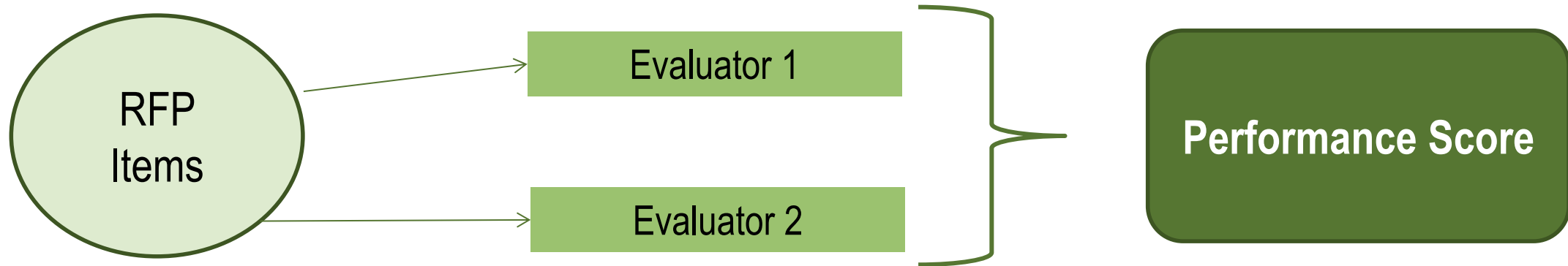
Summary Results



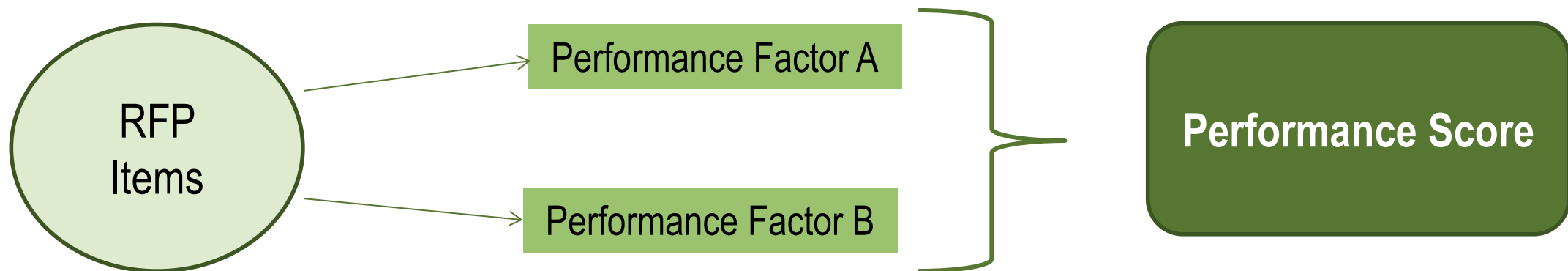
| Overall Assessment | | Needs Improvement |
|---|--|-------------------|
| Scope Area | Result | Rating |
| Compliance | Observation #3: Management has taken action to implement Texas State Auditor's Office recommendations but work remains | Satisfactory |
| Planning & Development | Planning activities were updated to include all required elements while utilizing best value principles. Bid development activities were updated to ensure published criteria align with evaluation criteria. | Satisfactory |
| Procurement, Selection & Recommendation | Observation #1: Evaluation scoring matrix does not effectively support and document how best value was obtained. (Significant) Observation #2: Evaluation and award procedures do not ensure all intended objectives are met. (Significant) | Needs Improvement |

Evaluation Process

Evaluator Based



Performance Factor Based



Questions?

Investment Compliance

January 1 – March 31, 2016

Tony Chavez, Director, Internal Audit Division

Beth Gilbert, Internal Auditor

Jonathan Puckett, Internal Auditor

Investment Compliance – Securities Lending



Investments Division temporarily suspended securities lending program in February 2016

Recalling of borrowed securities contributed to atypical instances of non-compliance for the following areas:

- Diversification limit for Eurozone counterparties exceeded 10%
- Diversification limit for non-Eurozone counterparties exceeded 20%

Questions?